

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7221

BILL NUMBER: HB 2108

DATE PREPARED: Dec 31, 2000

BILL AMENDED:

SUBJECT: College Savings Tax Deduction.

FISCAL ANALYST: Chuck Mayfield

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FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			(488,000)
State Expenditures			
Net Increase (Decrease)			(488,000)

Summary of Legislation: This bill provides that contributions to an Indiana Family College Savings Account up to \$2,000 may be deducted from Indiana adjusted gross income. It exempts distributions from an Indiana Family College Savings Account used to pay qualified higher education expenses from the Indiana adjusted gross income tax.

Effective Date: January 1, 2002.

Explanation of State Expenditures: The Department of State Revenue (DOR) will have additional administrative expenses to revise tax forms, instructions, and computer programs to accommodate this new deduction. These expenses will be covered under the Department's existing budget.

Explanation of State Revenues: The estimated revenue loss would be about \$488,000 in FY 2003 and the loss would increase by about \$102,000 per year.

This bill will grant a deduction up to \$2,000 from the Adjusted Gross Income Tax for contributions made to an Indiana Family College Savings Account. The Indiana Board for Depositories reports that about 5,444 Family College Savings Accounts have been established to date. Of these accounts, 606 were established in CY 1997, 1,963 in CY 1998, 1,304 in CY 1999, and 1,571 in CY 2000. The Board estimates that 85% of

these accounts are held by Indiana residents. The average annual deposit was \$2,200 in these accounts over the last three years.

Assuming that 85% of the existing accounts were eligible for the maximum tax deduction and an additional 1,500 accounts are established in CY 2001 and 2002, there could be 8,444 accounts which could receive the maximum deduction of \$2,000 in tax year 2002. The estimated revenue loss of this deduction would be \$488,000 in FY 2003. The revenue loss would continue to grow as more accounts are established and contributions are made to existing accounts.

The bill also exempts distributions from the Indiana College Savings Account used to pay qualified higher education expenditures from the Indiana Adjusted Gross Income Tax. The impact would depend on how much is withdrawn annually. The revenue loss would be 3.4% of interest earned on the account. The impact is expected to be minimal.

Individual Adjusted Gross Income Tax revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Indiana Education Savings Authority.

Local Agencies Affected:

Information Sources: Susan Loftus, Indiana Board of Depositories, 317-232-5259.